

**REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT**

Baldwin Exploration Corporation  
Suite 210  
9480 Double Diamond Parkway  
Reno, NV 89521

Township 9 South, Range 22 East  
Section 15: W $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$   
Section 16 : E $\frac{1}{2}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$   
240.00 Acres  
Carbon County

State Tract  
Section 16 : E $\frac{1}{2}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$   
120.00 Acres  
Common Schools Trust = 100%

Baldwin Exploration Corporation has filed a request with the Department for the approval of a federal communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

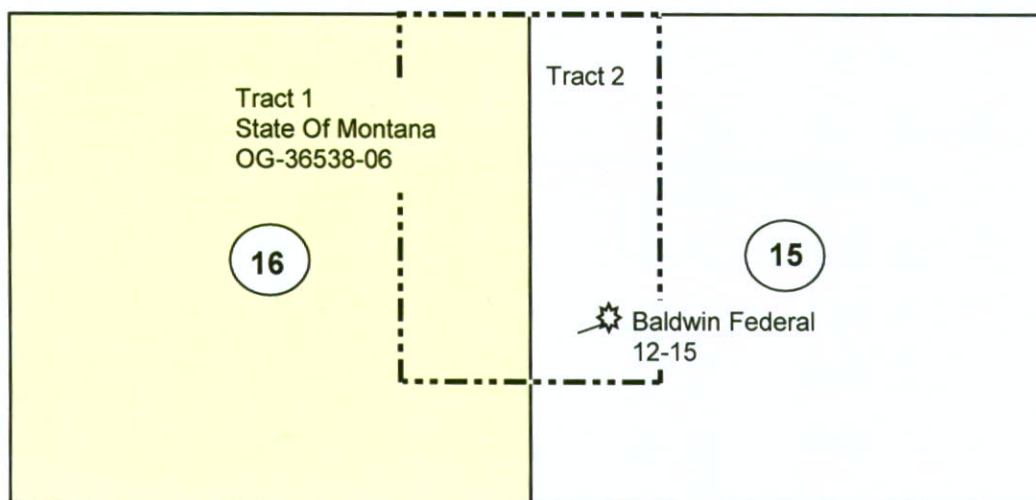
The Baldwin Federal 12-15 well, which is a Lakota formation oil well, was drilled in the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 15. This permanent spacing unit has a total of 240.00 acres. The Department has mineral ownership of 120.00 of the 240.00 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The communitization agreement shall include all oil and associated natural gas produced from the Lakota formation within the communitized area.

The Department's tract comprises 50.00% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The Department will consequently receive 8.33% of all oil production (16.67% royalty rate x 50.00% tract participation).

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

# Township 9 South Range 22 East

## Sections 15 & 16



### Recapitulation

Tract No.	Type	Acres	Tract Participation	Royalty %	Owners Interest Decimal
1	State of Montana OG-36538-06	120	50.00%	16.67%	0.083350
2	Baldwin Exploration Corporation	120	50.00%	12.50%	0.062500
Total		240	100.00%		

 Communitized Area

\* The Operator of the Communitized Area is Baldwin Exploration Corporation